

**City of Linden
Genesee County, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

City of Linden

Genesee County, Michigan

June 30, 2008

CITY COUNCIL AND ADMINISTRATION

David Lossing

Mayor

Ray Culbert

Mayor Pro-Tem

Patti O'Dwyer

Council Member

Matt Chapman

Council Member

Charles Ross

Council Member

Danielle Mammel

Council Member

Ed Ciesielski

Council Member

Christopher Wren

City Manager

Gloria Kirshman

Treasurer

Martha Donnelly

Clerk

City of Linden

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Linden
Linden, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Linden, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Linden, Michigan as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2008, on our consideration of the City of Linden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Linden's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 2, 2008

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

This discussion and analysis of the City of Linden's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,770,342 (net assets). Of this amount, \$2,800,448 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$49,962.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,232,529. Of this total, \$1,059,440 is available for spending at the government's discretion (unreserved fund balance).
- For the General Fund, unreserved and undesignated fund balance at the end of the current fiscal year was \$609,309, or approximately twenty-eight percent of total General Fund expenditures and other financing uses.
- The City has various street, water, and sewer projects that were in progress at the end of the fiscal year. The City also issued general obligation and special assessment bonds during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Linden's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government (including administration and recreation), public safety, and public works. The business-type activities of the City include sanitary sewer and water operations.

The government-wide financial statements can be found on pages 1-2 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Local Street and Ten Streets Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* located in the "Other Supplementary Information" section of the report.

The City adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements or schedules have been provided herein for the General and major Special Revenue Funds to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-4 and 6-7 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for motor pool operations. Because this service benefits both governmental and business-type functions, it has been allocated between *governmental activities* and *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer and water operations, both of which are considered to be major funds of the City. The motor pool internal service fund is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 9-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 29 of the report.

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Linden, assets exceeded liabilities by \$7,736,043 at the close of the most recent fiscal year.

This amount is a decrease from the prior year of approximately \$82,000. The primary reason for the substantial decrease in net assets is the increase of interest payments on bond issues.

A portion of the City's net assets (approximately 36%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Linden's Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$4,292,950	\$5,987,208	\$1,113,030	\$2,087,422	\$5,405,988	\$8,074,630
Capital assets, net	7,005,300	5,751,067	5,915,895	5,729,819	12,921,195	11,480,886
Total assets	11,298,250	11,738,275	7,028,933	7,817,241	18,327,183	19,555,516
Liabilities						
Current	717,666	739,857	503,232	825,378	1,220,898	1,565,235
Noncurrent	4,810,242	5,278,038	4,560,000	4,894,540	9,370,242	10,172,578
Total liabilities	5,527,908	6,017,895	5,063,232	5,719,918	10,591,140	11,737,813
Net Assets						
Invested in capital assets-						
net of related debt	1,737,976	146,721	1,016,143	436,826	2,754,119	583,547
Restricted	1,231,918	2,477,216	91,784	113,569	1,323,702	2,590,785
Unrestricted	2,800,448	3,096,443	857,774	1,546,928	3,658,222	4,643,371
Total net assets	\$5,770,342	\$5,720,380	\$1,965,701	\$2,097,323	\$7,736,043	\$7,817,703

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

City of Linden's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenue:						
Charges for services	\$ 470,140	\$ 493,918	\$ 1,001,009	\$ 1,021,162	\$ 1,471,149	\$ 1,515,080
Operating grants and contributions	191,545	193,513	-	-	191,545	193,513
Capital grants and contributions	-	1,276,636	-	-	-	1,276,636
General revenues:						
Property taxes	1,268,980	1,212,804	-	-	1,268,980	1,212,804
State Revenue Sharing	235,907	287,386	-	-	235,907	287,386
Investment earnings	189,595	162,526	55,417	77,184	245,012	239,710
Miscellaneous	107,687	145,337	-	-	107,687	145,337
Total revenues	2,463,854	3,772,120	1,056,426	1,098,346	3,520,280	4,870,466
Expenses						
General government	980,011	1,080,888	-	-	980,011	1,080,888
Public safety	666,455	685,100	-	-	666,455	685,100
Public works	20,010	579,001	-	-	555,050	579,001
Recreation and cultural	-	20,257	-	-	20,010	20,257
Sanitary sewer	-	-	592,031	612,771	592,031	612,771
Water	-	-	596,017	523,302	596,017	523,302
Interest on long-term debt	192,366	114,767	-	-	192,366	114,767
Total expenses	2,413,892	2,480,013	1,188,048	1,136,073	3,601,940	3,616,086
Change in net assets	49,962	1,292,107	(131,622)	(37,727)	(81,660)	1,254,380
Net assets, beginning of year	5,720,380	4,428,273	2,097,323	2,135,050	7,817,703	6,563,323
Net assets, end of year	<u>\$ 5,770,342</u>	<u>\$ 5,720,380</u>	<u>\$ 1,965,701</u>	<u>\$ 2,097,323</u>	<u>\$ 7,736,043</u>	<u>\$ 7,817,703</u>

Governmental activities. Governmental activities increased the City's net assets by \$49,962. Key elements of this increase are as follows:

- Property taxes represent the largest source of revenue for the governmental activities of the City. Property tax revenue for 2008 was \$56,176 (4.6 percent) higher than the 2007 property tax revenue. This increase is predominantly the result of increased taxable values.
- Capital grants and contributions decreased by \$1,276,636 because of special assessment revenue for the Ten Street project being recorded in prior year.
- Total expenses related to the governmental activities decreased by \$66,121 (approximately 2.7%).

Business-type activities. Business-type activities decreased the City's net assets by \$131,622.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-terms inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,329,529, a decrease of \$1,441,711 in comparison with the prior year. Approximately half of this amount (\$1,292,332) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay for specific capital projects or for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unreserved fund balance of the General Fund was \$609,309. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance at of June 30, 2008, represented 28% of total General Fund expenditures and other financing uses.

The fund balance of the City's General Fund decreased by \$39,280 during the current fiscal year.

The Local Street Fund (major governmental fund) had a fund balance of \$217,112 at the close of the fiscal year. This was a decrease of \$1,599,857 from the prior year. This was primarily attributable to the expenses related to the Ten Street Project.

The Ten Streets Fund (major governmental fund) had a fund balance of \$329,740 at the close of the fiscal year. This was an increase of \$102,828 from the prior year. This was attributable to special assessment revenue that was received.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer and Water Funds at the end of the year amounted to \$1,014,332 and \$156,558, respectively. The most recent fiscal year's activities decreased the net assets of the Sewer Fund by \$2,539. The most recent fiscal year's activities decreased the net assets of the Water Fund by \$129,083. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the fiscal year, the City Council made necessary budget adjustments to fund unanticipated expenditures during the year. Differences between the original and final amended budgets for expenditures were relatively minor.

Budget to actual comparisons for the City's General Fund were generally favorable, although to varying degrees.

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Capital Asset and Debt Administration

Capital assets. At the end of the fiscal year, the City had approximately \$12,921,195 invested in a broad range of capital assets, including buildings, land, equipment, and infrastructure. The total increase in the City's investment in capital assets for the fiscal year was approximately \$1,440,389.

Major capital asset expenditures during the fiscal year included the following:

- Street, Sewer, and Water improvements.

City's Capital Assets
(net of depreciation)

	Governmental Activities	Business- type Activities	Total
Land	\$ 84,069	\$ 7,027	\$ 91,096
Infrastructure	3,730,441	-	3,730,441
Buildings and improvements	390,095	1,883,865	2,273,960
Systems	-	4,025,003	4,025,003
Equipment	414,108	-	414,108
Construction in progress	<u>2,386,587</u>	<u>-</u>	<u>2,386,587</u>
Capital assets, net	<u>\$ 7,005,300</u>	<u>\$ 5,915,895</u>	<u>\$ 12,921,195</u>

Additional information on the City's capital assets can be found in Note F on pages 21-22 of this report.

Long-term Debt. At the end of the most recent fiscal year, the City had total debt outstanding of \$10,204,246. Of this amount, \$2,815,000 represents bonds secured solely by specified revenue sources (i.e., revenue and special assessment bonds), \$7,029,894 represents general obligation bonds, \$322,182 represents installment contracts, and \$37,170 represents accrued compensated absences.

City's Outstanding Debt

	Governmental Activities	Business- type Activities	Total
Revenue/Special assessment bonds	\$ 2,390,000	\$ 425,000	\$ 2,815,000
General obligation bonds	2,555,142	4,474,752	7,029,894
Installment contracts	322,182	-	322,182
Accrued compensated absences	<u>37,170</u>	<u>-</u>	<u>37,170</u>
Total outstanding debt	<u>\$ 5,304,494</u>	<u>\$ 4,899,752</u>	<u>\$ 10,204,246</u>

The City's total debt decreased by \$735,949 during the fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$13,605,760, which significantly exceeds the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note G on pages 22-26 of this report.

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Current Economic Factors

The following factors were considered in preparing the City's budget for the 2008-09 fiscal year:

- The continuing decline of community revenue provided by the State of Michigan.
- The increasing percentage of expenditures devoted to debt service as a result of previous project financing.
- The declining property values for tax revenues.
- The continuing need to provide services at the same level our residents have come to expect.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk at P.O. Box 507, Linden, Michigan 48451.

BASIC FINANCIAL STATEMENTS

City of Linden

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,225,371	\$ 640,276	\$ 2,865,647
Cash - restricted	95,152	91,784	186,936
Receivables	1,876,625	361,250	2,237,875
Due from other governmental units	74,698	-	74,698
Inventories	-	19,574	19,574
Prepays	21,104	-	21,104
Total current assets	4,292,950	1,112,884	5,405,834
Noncurrent assets			
Cash with agent	-	154	154
Capital assets not being depreciated	904,706	7,027	911,733
Capital assets, net of accumulated depreciation	6,100,594	5,908,868	12,009,462
Total noncurrent assets	7,005,300	5,916,049	12,921,349
TOTAL ASSETS	11,298,250	7,028,933	18,327,183
LIABILITIES			
Current liabilities			
Accounts payable	122,471	108,389	230,860
Other accrued liabilities	55,598	1,309	56,907
Accrued interest payable	45,345	53,782	99,127
Current portion of compensated absences	27,872	-	27,872
Current portion of long-term debt	466,380	339,752	806,132
Total current liabilities	717,666	503,232	1,220,898
Noncurrent liabilities			
Noncurrent portion of compensated absences	9,298	-	9,298
Noncurrent portion of long-term debt	4,800,944	4,560,000	9,360,944
Total noncurrent liabilities	4,810,242	4,560,000	9,370,242
TOTAL LIABILITIES	5,527,908	5,063,232	10,591,140
NET ASSETS			
Invested in capital assets, net of related debt	1,737,976	1,016,143	2,754,119
Restricted for			
Debt service	460,679	91,784	552,463
Capital projects	329,740	-	329,740
Other purposes	441,499	-	441,499
Unrestricted	2,800,448	857,774	3,658,222
TOTAL NET ASSETS	\$ 5,770,342	\$ 1,965,701	\$ 7,736,043

See accompanying notes to financial statements.

City of Linden

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
General government	\$ 980,011	\$ 465,053	\$ 528	\$ (514,430)	\$ -	\$ (514,430)
Public safety	666,455	5,087	1,400	(659,968)	-	(659,968)
Public works	555,050	-	186,617	(368,433)	-	(368,433)
Recreation and cultural	20,010	-	3,000	(17,010)	-	(17,010)
Interest on long-term debt	192,366	-	-	(192,366)	-	(192,366)
Total governmental activities	2,413,892	470,140	191,545	(1,752,207)	-0-	(1,752,207)
Business-type activities						
Sewer system	592,031	544,981	-	-	(47,050)	(47,050)
Water system	596,017	456,028	-	-	(139,989)	(139,989)
Total business-type activities	1,188,048	1,001,009	-0-	-0-	(187,039)	(187,039)
Totals	\$ 3,601,940	\$ 1,471,149	\$ 191,545	(1,752,207)	(187,039)	(1,939,246)
General revenues						
Property taxes				1,268,980	-	1,268,980
State shared revenues				235,907	-	235,907
Investment earnings				189,595	55,417	245,012
Miscellaneous				107,687	-	107,687
Total general revenues				1,802,169	55,417	1,857,586
Change in net assets				49,962	(131,622)	(81,660)
Net assets, beginning of the year				5,720,380	2,097,323	7,817,703
Net assets, end of the year				\$ 5,770,342	\$ 1,965,701	\$ 7,736,043

See accompanying notes to financial statements.

City of Linden

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	General	Local Street	Ten Streets
ASSETS			
Cash and cash equivalents	\$ 703,829	\$ 316,211	\$ 205,187
Cash and cash equivalents - restricted	95,152	-	-
Receivables			
Accounts	11,948	-	-
Taxes	2,925	-	-
Special assessments	14,536	-	1,088,002
Prepays	21,104	-	-
Due from other governmental units	74,698	-	-
TOTAL ASSETS	\$ 924,192	\$ 316,211	\$ 1,293,189
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 23,457	\$ 98,823	\$ -
Accrued wages	42,171	276	-
Other accrued liabilities	12,485	-	-
Deferred revenue	12,093	-	963,449
TOTAL LIABILITIES	90,206	99,099	963,449
FUND BALANCES			
Reserved for			
Retiree health care	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Public education grant	24,650	-	-
Mill Building	92,596	-	-
Prepays	21,104	-	-
Unreserved			
Designated for subsequent year's expenditures	86,327	146,565	-
Undesignated, reported in			
General fund	609,309	-	-
Special revenue funds	-	70,547	-
Capital projects funds	-	-	329,740
TOTAL FUND BALANCES	833,986	217,112	329,740
TOTAL LIABILITIES AND FUND BALANCES	\$ 924,192	\$ 316,211	\$ 1,293,189

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 832,301	\$ 2,057,528
-	95,152
-	11,948
-	2,925
759,214	1,861,752
-	21,104
-	74,698
<u>\$ 1,591,515</u>	<u>\$ 4,125,107</u>
\$ 191	\$ 122,471
571	43,018
-	12,485
642,062	1,617,604
642,824	1,795,578
242,930	242,930
149,893	149,893
506,024	506,024
-	24,650
-	92,596
-	21,104
-	232,892
-	609,309
49,844	120,391
-	329,740
<u>948,691</u>	<u>2,329,529</u>
<u>\$ 1,591,515</u>	<u>\$ 4,125,107</u>

City of Linden

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - total governmental funds **\$ 2,329,529**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 8,851,329	
Accumulated depreciation is	<u>(1,846,029)</u>	
Capital assets, net		7,005,300

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of the Internal Service Fund is included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in the Internal Service Fund	455,441	
Net capital assets of the Internal Service Fund included in total capital assets above	(370,450)	
Long-term liabilities of the Internal Service Fund included in total long-term liabilities below	<u>82,757</u>	
		167,748

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consist of:

Deferred revenue		1,617,604
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Long-term debt payable	5,267,324	
Accrued interest payable	45,345	
Compensated absences	<u>37,170</u>	
		<u>(5,349,839)</u>

Net assets of governmental activities		<u>\$ 5,770,342</u>
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See accompanying notes to financial statements.

City of Linden

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	General	Local Street	Ten Streets
REVENUES			
Taxes	\$ 1,268,980	\$ -	\$ -
Licenses and permits	65,263	-	-
Intergovernmental	245,617	50,860	-
Charges for services	399,961	-	-
Fines and forfeits	25,585	-	-
Interest and rents	54,142	8,548	59,682
Other	39,646	-	101,994
TOTAL REVENUES	2,099,194	59,408	161,676
EXPENDITURES			
Current			
General government	944,072	-	-
Public safety	647,934	-	-
Public works	227,342	86,359	-
Recreation and cultural	20,010	-	-
Capital outlay	12,108	1,565,950	-
Debt service	25,086	156,956	58,848
TOTAL EXPENDITURES	1,876,552	1,809,265	58,848
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	222,642	(1,749,857)	102,828
OTHER FINANCING SOURCES (USES)			
Transfers in	4,588	150,000	-
Transfers out	(266,510)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(261,922)	150,000	-0-
NET CHANGE IN FUND BALANCES	(39,280)	(1,599,857)	102,828
Fund balances, beginning of year	873,266	1,816,969	226,912
Fund balances, end of year	<u>\$ 833,986</u>	<u>\$ 217,112</u>	<u>\$ 329,740</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,268,980
-	65,263
131,219	427,696
-	399,961
-	25,585
68,124	190,496
153,514	295,154
352,857	2,673,135
-	944,072
-	647,934
70,426	384,127
-	20,010
-	1,578,058
299,755	540,645
370,181	4,114,846
(17,324)	(1,441,711)
116,510	271,098
(4,588)	(271,098)
111,922	-0-
94,598	(1,441,711)
854,093	3,771,240
<u>\$ 948,691</u>	<u>\$ 2,329,529</u>

City of Linden

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds **\$ (1,441,711)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,612,534	
Depreciation expense	<u>(358,301)</u>	
Excess of capital outlay over depreciation expense		1,254,233

Management uses an Internal Service Fund to charge the costs of certain activities to individual funds.

Increase in Net Assets of the Internal Service Fund	66,113	
Depreciation expense of the Internal Service Fund included in the total above	94,504	
Capital outlay of the Internal Service Fund included in the total above	(23,731)	
Loan principal retirement of the Internal Service Fund included in the total below	(41,738)	
Decrease in accrued interest payable of the Internal Service Fund included in the total below	<u>(2,392)</u>	
		92,756

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Decrease in deferred revenue	(209,281)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Repayment of long-term debt	337,022
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	11,257	
Decrease in accrued compensated absences	<u>5,686</u>	
		<u>16,943</u>

Change in net assets of governmental activities	<u>\$ 49,962</u>
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See accompanying notes to financial statements.

City of Linden

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2008

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 509,540	\$ 130,736	\$ 640,276	\$ 167,843
Cash and cash equivalents - restricted	-	91,784	91,784	-
Accounts receivable	85,230	188,359	273,589	-
Special assessments receivable	-	87,661	87,661	-
Inventories	-	19,574	19,574	-
Total current assets	594,770	518,114	1,112,884	167,843
Noncurrent assets				
Cash with agent	154	-	154	-
Advance to other funds	450,000	-	450,000	-
Capital assets not being depreciated	-	7,027	7,027	-
Capital assets, net of accumulated depreciation	2,449,232	3,459,636	5,908,868	370,450
Total noncurrent assets	2,899,386	3,466,663	6,366,049	370,450
TOTAL ASSETS	3,494,156	3,984,777	7,478,933	538,293
LIABILITIES				
Current liabilities				
Accounts payable	-	108,389	108,389	-
Accrued wages	357	952	1,309	95
Accrued interest payable	30,235	23,547	53,782	4,143
Current portion of long-term debt	192,794	146,958	339,752	14,151
Total current liabilities	223,386	279,846	503,232	18,389
Noncurrent liabilities				
Bonds and notes payable	1,937,100	2,622,900	4,560,000	64,463
Advance from other funds	-	450,000	450,000	-
Total noncurrent liabilities	1,937,100	3,072,900	5,010,000	64,463
TOTAL LIABILITIES	2,160,486	3,352,746	5,513,232	82,852
NET ASSETS				
Invested in capital assets, net of related debt	319,338	696,805	1,016,143	291,836
Restricted for debt service	-	91,784	91,784	-
Unrestricted	1,014,332	(156,558)	857,774	163,605
TOTAL NET ASSETS	\$ 1,333,670	\$ 632,031	\$ 1,965,701	\$ 455,441

See accompanying notes to financial statements.

City of Linden

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS

Year Ended June 30, 2008

	Business-type Activities		Total	Governmental Activities
	Sewer	Water		Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ 508,981	\$ 440,828	\$ 949,809	\$ 202,748
Tap fees	36,000	15,200	51,200	-
Other revenue	-	-	-0-	2,137
TOTAL OPERATING REVENUES	544,981	456,028	1,001,009	204,885
OPERATING EXPENSES				
Salaries and wages	6,180	65,607	71,787	11,658
Fringe benefits	553	6,604	7,157	1,254
Administration fees	50,260	64,000	114,260	-
Contractual services	302,879	1,170	304,049	-
Supplies	900	30,162	31,062	15,229
Communications	1,055	3,364	4,419	-
Insurance	2,967	2,549	5,516	4,742
Repairs and maintenance	20,175	21,505	41,680	10,022
Equipment rental	-	2,125	2,125	-
Depreciation	103,580	219,463	323,043	94,504
Other	11,384	23,088	34,472	-
TOTAL OPERATING EXPENSES	499,933	439,637	939,570	137,409
OPERATING INCOME	45,048	16,391	61,439	67,476
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	44,511	10,906	55,417	2,780
Interest expense and fees	(92,098)	(156,380)	(248,478)	(4,143)
TOTAL NONOPERATING REVENUES (EXPENSES)	(47,587)	(145,474)	(193,061)	(1,363)
CHANGE IN NET ASSETS	(2,539)	(129,083)	(131,622)	66,113
Net assets, beginning of year	1,336,209	761,114	2,097,323	389,328
Net assets, end of year	<u>\$ 1,333,670</u>	<u>\$ 632,031</u>	<u>\$ 1,965,701</u>	<u>\$ 455,441</u>

See accompanying notes to financial statements.

City of Linden

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

	Business-type Activities	
	Sewer	Water
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 539,417	\$ 438,903
Cash paid to vendors	(466,082)	(327,008)
Cash paid to employees	(9,927)	(66,443)
Cash paid for employee benefits	(553)	(6,604)
NET CASH PROVIDED BY OPERATING ACTIVITIES	62,855	38,848
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(47,996)	(461,123)
Bond proceeds	734,934	-
Payments on borrowings	(913,962)	(214,213)
Interest expense and fees	(92,098)	(156,380)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(319,122)	(831,716)
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investments	-	-
Interest revenue	44,511	10,906
NET CASH PROVIDED BY INVESTING ACTIVITIES	44,511	10,906
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(211,756)	(781,962)
Cash and cash equivalents, beginning of year	721,450	1,004,482
Cash and cash equivalents, end of year	<u>\$ 509,694</u>	<u>\$ 222,520</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 45,048	\$ 16,391
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	103,580	219,463
(Increase) decrease in accounts receivable	(5,564)	6,042
(Increase) in special assessments receivable	-	(23,167)
Decrease in inventories	-	3,355
(Decrease) in accounts payable	(76,462)	(182,400)
(Decrease) in accrued liabilities	(3,747)	(836)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 62,855	\$ 38,848

See accompanying notes to financial statements.

		Governmental Activities
		Internal
Total		Service Fund
\$ 978,320	\$ 204,885	
(793,090)	(29,993)	
(76,370)	(14,129)	
(7,157)	(1,254)	
101,703	159,509	
(509,119)	(23,731)	
734,934	-	
(1,128,175)	(41,738)	
(248,478)	(4,143)	
(1,150,838)	(69,612)	
-	26,012	
55,417	2,780	
55,417	28,792	
(993,718)	118,689	
1,725,932	49,154	
\$ 732,214	\$ 167,843	
\$ 61,439	\$ 67,476	
323,043	94,504	
478	-	
(23,167)	-	
3,355	-	
(258,862)	-	
(4,583)	(2,471)	
\$ 101,703	\$ 159,509	

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Linden is located in Genesee County, Michigan and has a population of approximately 3,800. The City operates with a City Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to City governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Linden (primary government). The City has no activities that would be classified as component units.

2. Joint Ventures

The City participates in the following activities which are considered to be joint ventures in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Southern Lakes Regional Metropolitan Parks and Recreation Commission - The City is a member of the Southern Lakes Regional Metropolitan Parks and Recreation Commission (SLP&R), which is a joint venture between the City of Linden, City of Fenton, and the Township of Fenton. The City appoints two (2) of the six (6) members of the governing board. SLP&R provides recreational activities for the common interest and welfare of all residents of the Southern Lakes Regional Metropolitan District.

The financial activities of SLP&R are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended December 31, 2007, are available at SLP&R's administrative offices. As of December 31, 2007, SLP&R had a fund balance of \$187,164.

Loose Senior Citizens Center, Inc. - The City is a member of the Loose Senior Citizens Center (LSCC) and appoints one (1) governing board member. LSCC provides a non-residential activity center to older people in the Southern Genesee County area.

The financial activities of LSCC are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended December 31, 2007, are available at LSCC's administrative offices. As of December 31, 2007, LSCC had net assets of \$909,682.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government. Interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Local Street Fund is used to account for the financial resources that are used for repairs and maintenance of the City's local streets.
- c. The Ten Streets Fund is used to account for special assessments revenue and debt payments.
- d. The Sewer Fund is used to account for the operations required to provide sewer services to the general public, the costs of which (expenses, including depreciation) are financed or recovered primarily through user charges.
- e. The Water Fund accounts for the activities of the government's water distribution and treatment system, the costs of which (expenses, including depreciation) are financed or recovered primarily through user charges.

The City also reports an internal service fund to account for the management of mobile equipment provided to other departments of the City on a cost reimbursement basis.

4. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General and major Special Revenue Funds' budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. On or before the first regular council meeting in May, by resolution, the budget is legally enacted at the activity level for the General and Special Revenue Funds for the ensuing fiscal year in accordance with Public Act 621 of the State of Michigan.
- d. The Council is authorized to transfer budgeted amounts from one department or fund to another.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting - continued

- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations not encumbered lapse at the end of the fiscal year.
- g. The original budget was amended during the year in compliance with the City Charter and applicable State laws. The budget to actual expenditures in the financial statements represents the final budgeted expenditures as amended by the City and are presented at the activity level.
- h. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed in the governmental funds.

7. Cash and Cash Equivalents

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

8. Receivables

Receivables consist of amounts due related to charges for services, interest receivable, and other amounts owed to the City at year-end.

9. Property Tax

The City of Linden bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City of Linden on July 1 and are payable without penalty through September 15. All real property taxes not paid to the City by March 1 are turned over to the Genesee County Treasurer for collection. The Genesee County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the County for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 13.50 mills (\$13.50 per \$1,000 of taxable valuation), which has been permanently reduced to 10.9914 mills because of millage reduction fractions, for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2008, the City levied 10.9914 mills per \$1,000 of taxable valuation for general governmental services. The City also levies 0.27 mills for mosquito control, which has an allowable maximum of 0.3500 mills. The total taxable value of the 2007 levy for property within the City was \$115,422,890.

10. Inventories

The cost of inventory items in governmental funds is recorded as an expenditure at the time of purchase. Inventories in the Water System Fund consist of supplies which are stated at cost on a first-in/first-out basis.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**11. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds, if any, are netted as part of the reconciliation to the government-wide financial statements.

12. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and sick time. All employees with accumulated unused vacation and sick time pay at June 30, 2008 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

13. Capital Assets

Capital assets include land, buildings and equipment, and water and sewer systems and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental or business-type activities columns as applicable. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than two years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	15 - 30 years
Equipment	5 - 10 years
Water and sewer systems	20 - 100 years
Infrastructure	20 years

14. Deferred Revenue

Deferred revenue consists of amounts related to special assessments receivable in future periods. None of these amounts are deferred in the government-wide financial statements.

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS

The City utilizes a pooled cash account for approximately fourteen (14) funds. The City's pooled cash account consists of a checking account.

The City's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Debt Service Funds, the Permanent Fund, and the Enterprise Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents and investments captions on the basic financial statements.

The other funds of the City utilize separate savings and interest bearing checking accounts.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2008, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 484,351	\$ 579,271
Savings	947,186	948,554
Certificate of Deposit	<u>246,039</u>	<u>246,039</u>
Total Primary Government	<u>\$ 1,677,576</u>	<u>\$ 1,773,863</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Deposits - continued

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2008, the City accounts were insured by the FDIC for \$400,000 and the amount of \$1,373,863 was uninsured and uncollateralized.

Investments

As of June 30, 2008, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
LaSalle Bank - Public Funds Investment Trust	\$ 91,784	\$ 91,909	40 days
MBIA - Michigan Class	<u>1,283,073</u>	<u>1,285,656</u>	N/A
	<u>\$ 1,374,857</u>	<u>\$ 1,377,565</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2008, the Public Funds Investment Trust was rated AAAM by Standard and Poor's and Aaa by Moody's. The MBIA - Michigan Class investment was rated AAA by Fitch.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

Concentration of credit risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the "Authorized and Suitable Investments" section of the investment policy; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with the "Qualified Institutions" section of the investment policy; and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business in accordance with Council approved policy.

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

As of June 30, 2008, the cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents and investments captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,225,371	\$ 640,276	\$ 2,865,647
Cash and cash equivalents - restricted	<u>95,152</u>	<u>91,784</u>	<u>186,936</u>
	<u>\$ 2,320,523</u>	<u>\$ 732,060</u>	<u>\$ 3,052,583</u>

The cash and cash equivalents captions in the basic financial statements include \$150 in imprest cash.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

NOTE C: RESTRICTED CASH AND CASH EQUIVALENTS

The following summarizes the restricted cash and cash equivalents as of June 30, 2008:

	<u>Cable Performance Deposit</u>	<u>Mill Building Improvements</u>	<u>Debt Retirement</u>	<u>Total</u>
General Fund	\$ 2,556	\$ 92,596	\$ -	\$ 95,152
Water Fund	<u>-</u>	<u>-</u>	<u>91,784</u>	<u>91,784</u>
	<u>\$ 2,556</u>	<u>\$ 92,596</u>	<u>\$ 91,784</u>	<u>\$ 186,936</u>

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 116,510</u>
Transfers to Local Street Fund from:	
General Fund	<u>\$ 150,000</u>
Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 4,588</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details advances receivable and payable related to the business-type activities at June 30, 2008:

Advance to Water Fund from:	
Sewer Fund	<u>\$ 450,000</u>

The advance to the Water Fund was made for the purpose of financing construction.

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 84,069	\$ -	\$ -	\$ 84,069
Construction in progress	<u>820,637</u>	<u>1,565,950</u>	<u>-</u>	<u>2,386,587</u>
Subtotal of capital assets not being depreciated	904,706	1,565,950	-0-	2,470,656
Capital assets being depreciated				
Infrastructure	4,181,725	-	-	4,181,725
Buildings and improvements	1,011,311	13,850	-	1,025,161
Equipment	<u>1,175,092</u>	<u>32,734</u>	<u>(34,039)</u>	<u>1,173,787</u>
Subtotal of capital assets being depreciated	6,368,128	46,584	(34,039)	6,380,673
Less accumulated depreciation for				
Infrastructure	(242,198)	(209,086)	-	(451,284)
Buildings and improvements	(584,575)	(50,491)	-	(635,066)
Equipment	<u>(694,994)</u>	<u>(98,724)</u>	<u>34,039</u>	<u>(759,679)</u>
Subtotal	<u>(1,521,767)</u>	<u>(358,301)</u>	<u>34,039</u>	<u>(1,846,029)</u>
Net capital assets being depreciated	<u>4,846,361</u>	<u>(311,717)</u>	<u>-0-</u>	<u>4,534,644</u>
Capital assets, net	<u>\$ 5,751,067</u>	<u>\$ 1,254,233</u>	<u>\$ -0-</u>	<u>\$ 7,005,300</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 51,735
Public safety	57,664
Public works	<u>248,902</u>
Total depreciation expense	<u>\$ 358,301</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 7,027	\$ -	\$ -	\$ 7,027
Capital assets being depreciated				
Buildings	3,608,814	-	-	3,608,814
Sewer system	711,848	47,996	-	759,844
Water system	<u>4,873,856</u>	<u>461,123</u>	<u>-</u>	<u>5,334,979</u>
Subtotal of capital assets being depreciated	9,194,518	509,119	-0-	9,703,637
Less accumulated depreciation for				
Buildings	(1,652,772)	(72,177)	-	(1,724,949)
Sewer System	(163,074)	(31,403)	-	(194,477)
Water System	<u>(1,655,880)</u>	<u>(219,463)</u>	<u>-</u>	<u>(1,875,343)</u>
Subtotal	<u>(3,471,726)</u>	<u>(323,043)</u>	<u>-0-</u>	<u>(3,794,769)</u>
Net capital assets being depreciated	<u>5,722,792</u>	<u>186,076</u>	<u>-0-</u>	<u>5,908,868</u>
Capital assets, net	<u>\$ 5,729,819</u>	<u>\$ 186,076</u>	<u>\$ -0-</u>	<u>\$ 5,915,895</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amount Due Within One Year
Governmental Activities					
2003 East Street Drain Loan	\$ 68,572	\$ -	\$ 22,857	\$ 45,715	\$ 22,857
2005 Parking Lot Loan	242,238	-	44,385	197,853	46,330
1997 General Obligation Bonds	95,000	-	15,000	80,000	20,000
2000 General Obligation Bonds	245,000	-	25,000	220,000	25,000
2002 General Obligation Bonds	440,000	-	35,000	405,000	35,000
2003 General Obligation Bonds	308,184	-	23,042	285,142	23,042
2005 General Obligation Bonds	300,000	-	15,000	285,000	15,000
2007 General Obligation Bonds	1,280,000	-	-	1,280,000	60,000
1996-A Special Assessment Bonds	75,000	-	15,000	60,000	15,000
2000-A Special Assessment Bonds	160,000	-	20,000	140,000	20,000
2001 Special Assessment Bonds	215,000	-	20,000	195,000	20,000
2002 Special Assessment Bonds	250,000	-	25,000	225,000	25,000
2003 Special Assessment Bonds	300,000	-	25,000	275,000	25,000
2005 Special Assessment Bonds	235,000	-	10,000	225,000	10,000
2007 Special Assessment Bonds	1,270,000	-	-	1,270,000	90,000
Compensated Absences	<u>42,856</u>	<u>-</u>	<u>5,686</u>	<u>37,170</u>	<u>27,872</u>
	5,526,850	-0-	300,970	5,225,880	480,101

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT - CONTINUED

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amount Due Within One Year
Internal Service Fund					
2000 Saber Pumper Fire Truck	\$ 28,295	\$ -	\$ 28,295	\$ -0-	\$ -0-
2002 Pierce Pumper Fire Truck	92,057	-	13,443	78,614	14,151
	<u>120,352</u>	<u>-0-</u>	<u>41,738</u>	<u>78,614</u>	<u>14,151</u>
Total governmental activities	5,647,202	-0-	342,708	5,304,494	494,252
Business-type Activities					
1996-A Water Supply System	25,000	-	25,000	-0-	-
2000-A Water Supply System	285,000	-	30,000	255,000	30,000
2001 Water Supply System	190,000	-	20,000	170,000	20,000
2003 General Obligation Bonds	226,816	-	16,958	209,858	16,958
2005 Water Well House Bonds	47,255	-	47,255	-0-	-
2005-B Capital Improvement Bonds	565,000	-	20,000	545,000	20,000
2007 Capital Improvement Bonds	725,000	-	20,000	705,000	25,000
2005-A Water Improvement Bonds	920,000	-	35,000	885,000	35,000
1998-A Sewage Disposal Bonds	752,094	-	752,094	-0-	-
2005 Sewage Disposal Refunding Bonds	1,556,828	-	159,236	1,397,592	165,816
2007 Sewage Disposal Refunding Bonds	-	734,934	2,632	732,302	26,978
Total business-type activities	<u>5,292,993</u>	<u>734,934</u>	<u>1,128,175</u>	<u>4,899,752</u>	<u>339,752</u>
Total reporting entity	<u>\$10,940,195</u>	<u>\$ 734,934</u>	<u>\$ 1,470,883</u>	<u>\$10,204,246</u>	<u>\$ 834,004</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENTInstallment Loans

\$160,000 Installment purchase agreement dated February 5, 2003, due in annual installments of \$22,857 through February 5, 2010, with interest at 3.25 percent, payable semi-annually.

\$ 45,715

\$325,500 Installment purchase agreement dated September 1, 2004, due in annual installments of ranging from \$46,330 to \$52,688 through September 1, 2011, with interest at 4.38 percent, payable annually.

197,853

\$139,425 Fire Truck Installment purchase agreement dated July 25, 2002, due in annual installments of ranging from \$14,151 to \$17,377 through July 25, 2012, with interest at 5.72 percent, payable annually.

78,614

\$ 322,182

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT - CONTINUED

General Obligation Bonds

\$230,000 Limited Tax General Obligation Transportation Bonds dated November 1, 1997, due in annual installments of \$20,000 through November 1, 2011, with interest ranging from 5.40 to 5.70 percent, payable semi-annually.	\$ 80,000
\$365,000 Limited Tax General Obligation Transportation Bonds dated November 1, 2000, due in annual installments ranging from \$25,000 to \$35,000 through November 1, 2014, with interest ranging from 5.50 to 6.00 percent, payable semi-annually.	220,000
\$590,000 General Obligation Bonds dated June 1, 2002, due in annual installments ranging from \$35,000 to \$55,000 through May 1, 2017, with interest ranging from 4.05 to 4.85 percent, payable semi-annually.	405,000
\$377,310 Limited Tax General Obligation Transportation Bonds dated July 1, 2003, due in annual installments ranging from \$23,042 to \$34,564 through November 1, 2017, with interest ranging from 2.55 to 4.20 percent, payable semi-annually.	285,142
\$277,690 Limited Tax General Obligation Bonds dated July 1, 2003, due in annual installments ranging from \$16,958 to \$25,437 through November 1, 2017, with interest ranging from 2.55 to 4.20 percent, payable semi-annually.	209,858
\$300,000 Limited Tax General Obligation Bonds dated September 1, 2005, due in annual installments ranging from \$15,000 to \$30,000 through November 1, 2020, with interest ranging from 4.00 to 4.25 percent, payable semi-annually.	285,000
\$950,000 2005-A Water Improvement Bonds dated May 1, 2005, due in annual installments ranging from \$35,000 to \$70,000 through May 1, 2025, with interest ranging from 4.10 to 4.70 percent, payable semi-annually.	885,000
\$585,000 2005-B Capital Improvement Bonds dated May 1, 2005, due in annual installments ranging from \$20,000 to \$45,000 through May 1, 2025, with interest ranging from 4.00 to 4.50 percent, payable semi-annually.	545,000
\$1,702,904 2005 Sewage Disposal Refunding Bonds dated February 1, 2005, due in annual installments ranging from \$165,816 to \$174,370 through April 1, 2016, with interest ranging from 3.50 to 5.00 percent, payable semi-annually.	1,397,592
\$1,280,000 2008 Limited Tax General Obligation Bonds dated March 1, 2008, due in annual installments ranging from \$60,000 to \$125,000 through May 1, 2022, with interest ranging from 3.75 to 4.00 percent, payable semi-annually.	1,280,000
\$725,000 2007 Capital Improvement Bonds dated February 13, 2008, due in annual installments ranging from \$25,000 to \$55,000 through May 1, 2027, with interest ranging from 3.80 to 5.00 percent, payable semi-annually.	705,000
\$734,934 2007 Sewage Disposal Bond dated November 16, 2007 due in annual installments ranging from \$26,978 to \$120,414 through April 1, 2019, with interest of 4.00%, payable semi-annually.	<u>732,302</u>
	<u>\$ 7,029,894</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT - CONTINUED

Special Assessment Bonds

\$225,000 1996-A Special Assessment Bonds dated September 1, 1996, due in annual installments of \$15,000 through November 1, 2011, with interest ranging from 5.60 to 5.90 percent, payable semi-annually.	\$ 60,000
\$265,000 2000-A Special Assessment Bonds dated November 1, 2000, due in annual installments of \$20,000 through November 1, 2014, with interest ranging from 5.50 to 6.00 percent, payable semi-annually.	140,000
\$315,000 2001 Special Assessment Bonds dated July 1, 2001, due in annual installments ranging from \$20,000 to \$25,000 through November 1, 2015, with interest ranging from 4.60 to 5.25 percent, payable semi-annually.	195,000
\$355,000 2002 Special Assessment Bonds dated June 1, 2002, due in annual installments of \$25,000 through November 1, 2016, with interest ranging from 4.00 to 4.80 percent, payable semi-annually.	225,000
\$375,000 2003 Special Assessment Bonds dated July 1, 2003, due in annual installments ranging from \$25,000 to \$30,000 through November 1, 2017, with interest ranging from 2.40 to 4.20 percent, payable semi-annually.	275,000
\$235,000 2005 Special Assessment Bonds dated September 1, 2005, due in annual installments ranging from \$10,000 to \$25,000 through November 1, 2020, with interest ranging from 4.00 to 4.25 percent, payable semi-annually.	225,000
\$1,270,000 2007 Special Assessment Bonds dated March 1, 2008, due in annual installments ranging from \$90,000 to \$95,000 through May 1, 2022, with interest ranging from 3.75 to 4.00 percent, payable semi-annually.	<u>1,270,000</u>
	<u>\$ 2,390,000</u>

Water Supply and Sewer System Revenue Bonds

\$440,000 2000-A Water Supply System Revenue Bonds dated November 1, 2000, due in annual installments ranging from \$30,000 to \$45,000 through May 1, 2015, with interest ranging from 5.60 to 6.00 percent, payable semi-annually.	\$ 255,000
\$285,000 2001 Water Supply System Revenue Bonds dated July 1, 2001, due in annual installments ranging from \$20,000 to \$40,000 through May 1, 2013, with interest ranging from 4.60 to 5.00 percent, payable semi-annually.	<u>170,000</u>
	<u>\$ 425,000</u>

Accrued Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/personal time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$37,170 at June 30, 2008.

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the Bonds, Notes, and other obligations are as follows:

<u>Year Ending June 30,</u>	<u>Installment Loans</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 83,338	\$ 14,295	\$ 467,794	\$ 295,914
2010	86,113	10,776	500,032	277,917
2011	66,158	7,132	527,270	258,590
2012	69,195	4,095	540,824	236,771
2013	17,378	917	555,036	214,425
2014-2018	-	-	2,653,840	703,099
2019-2023	-	-	1,515,098	278,229
2024-2027	-	-	270,000	21,065
	<u>\$ 322,182</u>	<u>\$ 37,215</u>	<u>\$ 7,029,894</u>	<u>\$ 2,286,010</u>

<u>Year Ending June 30,</u>	<u>Special Assessment Bonds</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 205,000	\$ 97,039	\$ 50,000	\$ 23,191
2010	210,000	88,623	65,000	20,591
2011	215,000	79,854	70,000	17,236
2012	215,000	70,855	75,000	13,526
2013	200,000	62,052	80,000	9,500
2014-2018	905,000	199,725	85,000	7,800
2019-2022	440,000	27,245	-	-
	<u>\$ 2,390,000</u>	<u>\$ 625,393</u>	<u>\$ 425,000</u>	<u>\$ 91,844</u>

NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the City's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2008, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Transfers out	\$ 264,650	\$ 266,510	\$ 1,860

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE I: RETIREMENT PLAN

The City of Linden Group Pension Plan is a defined contribution pension plan established by the City Council and administered by ICMA, a third party, to provide benefits at retirement to eligible employees. Substantially all full time employees are eligible to participate in the plan. At June 30, 2008, all 14 eligible persons were plan members.

Employees are not required to contribute to the plan. The City is required to contribute 7% of the employee's annual salary.

Contributions made by the City vest 20% per year through year five at which time the employee is fully vested. An employee who leaves the employment of the City is entitled to his or her contributions and the City's contributions, plus interest earned.

Plan provisions and contribution requirements are established and may be amended by the City Council.

During the year, the City's required and actual contributions amounted to \$40,150.

NOTE J: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Liability and Property Pool with other municipalities for property, casualty, law enforcement, automobiles, crime, employee benefit, and public official losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTE K: POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides certain health care benefits, including prescription drug benefits for employees who have retired. Substantially all of the City's employees may become eligible for those benefits when they reach age 60 with twenty (20) years of service or age 55 with twenty-five (25) years of service. Under this program the City pays 100% of the cost of health care, including prescription benefits for eligible employees and their spouse at the time of retirement under age 65, and 100% of Medicare supplemental insurance for age 65 or older.

The City has established a trust fund (the Trust) for the purpose of providing retiree health care benefits under City policy.

The Trust is being funded based on 14 employees and potential retirees. The City has no current retirees. Contributions required and made during the year amounted to \$54,650. As of June 30, 2008, there was \$242,930 available for benefits. The total actuarially determined liability for these benefits is \$1,758,842 and the total unfunded liability was \$1,370,086 at February 29, 2008. The City has chosen to fund the Trust based on assumptions of annual cost increases for benefits of 10% per year and an 8% return on investments.

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE K: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The pronouncement is effective for the year ending June 30, 2010.

NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the City has set aside for specific purposes.

The following are the fund balance reserves as of June 30, 2008:

General Fund	
Reserved for public education grant	\$ 24,650
Reserved for Mill Building	92,596
Reserved for prepaids	<u>21,104</u>
	138,350
Nonmajor governmental funds	
Reserved for retiree health care	242,930
Reserved for perpetual care	149,893
Reserved for debt service	<u>506,024</u>
	<u>898,847</u>
Total primary government	<u>\$ 1,037,197</u>

The following are the fund balance designations as of June 30, 2008:

Designated for subsequent year's expenditures	
General Fund	\$ 86,327
Local Street Fund	<u>146,565</u>
	<u>\$ 232,892</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE M: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the net asset restrictions as of June 30, 2008:

Governmental activities	
Debt service	<u>\$ 460,679</u>
Capital projects	<u>\$ 329,740</u>
Other purposes	
Perpetual care	\$ 149,893
Public education grant	24,650
Highways and streets	<u>266,956</u>
	<u>\$ 441,499</u>
Business-type activities	
Debt service	<u>\$ 91,784</u>

NOTE N: BUILDING DEPARTMENT FINANCIAL ACTIVITIES

The City has elected to report the financial activities of the building department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2008:

Revenues	\$ 10,261
Less: expenditures	(37,097)
Less: operating deficit from prior years	<u>(115,154)</u>
Total operating deficit, cumulative	<u>\$(141,990)</u>

NOTE O: CONTRACTUAL COMMITMENTS

The City has entered into various street project contracts related to infrastructure improvements that were not completed at June 30, 2008. The contractual commitments outstanding at June 30, 2008, totaled \$78,650. The City has issued debt proceeds and special assessments to cover these commitments.

REQUIRED SUPPLEMENTARY INFORMATION

City of Linden

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,267,570	\$ 1,267,570	\$ 1,268,980	\$ 1,410
Licenses and permits	50,300	62,300	65,263	2,963
Intergovernmental - State	279,700	279,700	245,617	(34,083)
Charges for services				
Cemetery	20,500	52,000	36,956	(15,044)
Other	391,960	360,460	363,005	2,545
Fines and forfeits	34,500	34,500	25,585	(8,915)
Interest and rents	57,445	57,445	54,142	(3,303)
Other				
Special assessments	1,585	1,585	3,771	2,186
Miscellaneous	25,800	52,100	35,875	(16,225)
TOTAL REVENUES	2,129,360	2,167,660	2,099,194	(68,466)
EXPENDITURES				
Current				
General government	1,111,995	1,152,968	944,072	208,896
Public safety	665,050	681,240	647,934	33,306
Public works	260,950	260,950	227,342	33,608
Recreation and cultural	21,500	21,500	20,010	1,490
Capital outlay	13,500	13,500	12,108	1,392
Debt service				
Principal	22,860	22,860	22,857	3
Interest	2,230	2,230	2,229	1
TOTAL EXPENDITURES	2,098,085	2,155,248	1,876,552	278,696
EXCESS OF REVENUES OVER EXPENDITURES	31,275	12,412	222,642	210,230
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,588	4,588
Transfers out	(264,650)	(264,650)	(266,510)	(1,860)
TOTAL OTHER FINANCING SOURCES (USES)	(264,650)	(264,650)	(261,922)	2,728
NET CHANGE IN FUND BALANCE	(233,375)	(252,238)	(39,280)	212,958
Fund balance, beginning of year	873,266	873,266	873,266	-0-
Fund balance, end of year	<u>\$ 639,891</u>	<u>\$ 621,028</u>	<u>\$ 833,986</u>	<u>\$ 212,958</u>

City of Linden

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental - State	\$ 53,000	\$ 53,000	\$ 50,860	\$ (2,140)
Interest	1,500	1,500	8,548	7,048
TOTAL REVENUES	54,500	54,500	59,408	4,908
EXPENDITURES				
Current				
Public works				
Highways and streets	66,775	93,925	86,359	7,566
Debt service	156,775	156,775	156,956	(181)
Capital outlay	1,922,600	1,580,000	1,565,950	14,050
TOTAL EXPENDITURES	2,146,150	1,830,700	1,809,265	7,385
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,091,650)	(1,776,200)	(1,749,857)	26,343
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	150,000	-0-
NET CHANGE IN FUND BALANCE	(1,941,650)	(1,626,200)	(1,599,857)	26,343
Fund balance, beginning of year	1,816,969	1,816,969	1,816,969	-0-
Fund balance, end of year	\$ (124,681)	\$ 190,769	\$ 217,112	\$ 26,343

OTHER SUPPLEMENTARY INFORMATION

City of Linden

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2008

	Special Revenue		Debt	
	Major Street	Retiree Health Care	E. Rolston Road	Meadowgreen
ASSETS				
Cash and cash equivalents	\$ 47,821	\$ 242,930	\$ -	\$ 33,186
Special assessments receivable	9,414	-	-	20,593
TOTAL ASSETS	\$ 57,235	\$ 242,930	\$ -0-	\$ 53,779
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 191	\$ -	\$ -	\$ -
Accrued wages	571	-	-	-
Deferred revenue	6,629	-	-	14,488
TOTAL LIABILITIES	7,391	-0-	-0-	14,488
FUND BALANCES				
Reserved for				
Retiree health care	-	242,930	-	-
Perpetual care	-	-	-	-
Debt service	-	-	-	39,291
Unreserved				
Undesignated, reported in:				
Special revenue funds	49,844	-	-	-
TOTAL FUND BALANCES	49,844	242,930	-0-	39,291
TOTAL LIABILITIES AND FUND BALANCES	\$ 57,235	\$ 242,930	\$ -0-	\$ 53,779

Service					Permanent Fund Cemetery Perpetual Care	Total
E. Broad	W. Broad	Tickner	N. Bridge 2003	Ripley Road		
\$ 54,372	\$ 92,614	\$ 98,812	\$ 85,420	\$ 27,253	\$ 149,893	\$ 832,301
77,579	105,045	131,568	208,104	206,911	-	759,214
<u>\$131,951</u>	<u>\$197,659</u>	<u>\$230,380</u>	<u>\$293,524</u>	<u>\$234,164</u>	<u>\$ 149,893</u>	<u>\$ 1,591,515</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191
-	-	-	-	-	-	571
62,167	86,827	111,007	179,419	181,525	-	642,062
62,167	86,827	111,007	179,419	181,525	-0-	642,824
-	-	-	-	-	-	242,930
-	-	-	-	-	149,893	149,893
69,784	110,832	119,373	114,105	52,639	-	506,024
-	-	-	-	-	-	49,844
69,784	110,832	119,373	114,105	52,639	149,893	948,691
<u>\$131,951</u>	<u>\$197,659</u>	<u>\$230,380</u>	<u>\$293,524</u>	<u>\$234,164</u>	<u>\$ 149,893</u>	<u>\$ 1,591,515</u>

City of Linden

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	Special Revenue		Debt	
	Major Street	Retiree Health Care	E. Rolston Rd.	Meadowgreen
REVENUES				
Intergovernmental	\$ 131,219	\$ -	\$ -	\$ -
Interest and rents	1,225	9,867	-	2,848
Other	2,212	-	-	4,829
TOTAL REVENUES	134,656	9,867	-0-	7,677
EXPENDITURES				
Public works	70,426	-	-	-
Debt service	131,381	-	-	19,111
TOTAL EXPENDITURES	201,807	-0-	-0-	19,111
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(67,151)	9,867	-0-	(11,434)
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	54,650	-	-
Transfers out	-	-	(222)	-
TOTAL OTHER FINANCING SOURCES (USES)	60,000	54,650	(222)	-0-
NET CHANGE IN FUND BALANCES	(7,151)	64,517	(222)	(11,434)
Fund balances, beginning of year	56,995	178,413	222	50,725
Fund balances, end of year	\$ 49,844	\$ 242,930	\$ -0-	\$ 39,291

Service					Permanent Fund	Total
E. Broad	W. Broad	Tickner	N. Bridge 2003	Ripley Road	Cemetery Perpetual Care	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,219
7,395	9,730	10,930	11,057	10,706	4,366	68,124
10,417	17,289	19,920	24,794	24,053	50,000	153,514
17,812	27,019	30,850	35,851	34,759	54,366	352,857
-	-	-	-	-	-	70,426
28,919	30,370	35,661	34,725	19,588	-	299,755
28,919	30,370	35,661	34,725	19,588	-0-	370,181
(11,107)	(3,351)	(4,811)	1,126	15,171	54,366	(17,324)
-	-	-	-	-	1,860	116,510
-	-	-	-	-	(4,366)	(4,588)
-0-	-0-	-0-	-0-	-0-	(2,506)	111,922
(11,107)	(3,351)	(4,811)	1,126	15,171	51,860	94,598
80,891	114,183	124,184	112,979	37,468	98,033	854,093
<u>\$ 69,784</u>	<u>\$110,832</u>	<u>\$119,373</u>	<u>\$114,105</u>	<u>\$ 52,639</u>	<u>\$ 149,893</u>	<u>\$ 948,691</u>

City of Linden

Schedule of Indebtedness

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
INSTALLMENT LOANS				
East Street Drain Installment Loan Payable	8/5/2008	\$ 743	\$ 743	\$ -
	2/5/2009	23,600	743	22,857
	8/5/2009	371	371	-
	2/5/2010	23,229	371	22,858
		<u>\$ 47,943</u>	<u>\$ 2,228</u>	<u>\$ 45,715</u>
Parking Lot Loan Payable	9/1/2008	\$ 54,996	\$ 8,666	\$ 46,330
	9/1/2009	54,996	6,637	48,359
	9/1/2010	54,996	4,520	50,476
	9/1/2011	54,996	2,308	52,688
		<u>\$ 219,984</u>	<u>\$ 22,131</u>	<u>\$ 197,853</u>
2003 Installment Loan Payable - Equipment Fund	7/25/2008	\$ 18,294	\$ 4,143	\$ 14,151
	7/25/2009	18,294	3,398	14,896
	7/25/2010	18,294	2,612	15,682
	7/25/2011	18,294	1,786	16,508
	7/25/2012	18,294	917	17,377
		<u>\$ 91,470</u>	<u>\$ 12,856</u>	<u>\$ 78,614</u>
TOTAL INSTALLMENT LOANS				<u>\$ 322,182</u>
GENERAL OBLIGATION BONDS				
1997A Michigan Transportation Fund Bonds	11/1/2008	\$ 22,220	\$ 2,220	\$ 20,000
	5/1/2009	1,680	1,680	-
	11/1/2009	21,680	1,680	20,000
	5/1/2010	1,130	1,130	-
	11/1/2010	21,130	1,130	20,000
	5/1/2011	570	570	-
	11/1/2011	20,570	570	20,000
		<u>\$ 88,980</u>	<u>\$ 8,980</u>	<u>\$ 80,000</u>

The 1997A Bonds are subject to early redemption in integral multiples of \$5,000. Bonds maturing in 2007 to 2011, inclusive, shall be subject to redemption prior to maturity, at the option of the City, in such order as the City shall determine, on any interest payment date after November 1, 2004.

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2007 Sewage Disposal Refunding Bonds	10/1/2008	\$ 14,726	\$ 14,726	\$ -
	4/1/2009	41,704	14,726	26,978
	10/1/2009	14,186	14,186	-
	4/1/2010	41,164	14,186	26,978
	10/1/2010	13,647	13,647	-
	4/1/2011	44,573	13,647	30,926
	10/1/2011	13,028	13,028	-
	4/1/2012	51,192	13,028	38,164
	10/1/2012	12,265	12,265	-
	4/1/2013	58,983	12,265	46,718
	10/1/2013	11,331	11,331	-
	4/1/2014	69,235	11,331	57,904
	10/1/2014	10,173	10,173	-
	4/1/2015	81,237	10,173	71,064
	10/1/2015	8,751	8,751	-
	4/1/2016	87,053	8,751	78,302
	10/1/2016	7,185	7,185	-
	4/1/2017	126,941	7,185	119,756
	10/1/2017	4,790	4,790	-
	4/1/2018	125,204	4,790	120,414
	10/1/2018	2,382	2,382	-
	4/1/2019	117,480	2,382	115,098
		<u>\$ 957,230</u>	<u>\$ 224,928</u>	<u>\$ 732,302</u>
2000 General Obligation Bonds	11/1/2008	\$ 31,385	\$ 6,385	\$ 25,000
	5/1/2009	5,698	5,698	-
	11/1/2009	35,698	5,698	30,000
	5/1/2010	4,858	4,858	-
	11/1/2010	34,858	4,858	30,000
	5/1/2011	4,003	4,003	-
	11/1/2011	34,003	4,003	30,000
	5/1/2012	3,133	3,133	-
	11/1/2012	38,133	3,133	35,000
	5/1/2013	2,100	2,100	-
	11/1/2013	37,100	2,100	35,000
	5/1/2014	1,050	1,050	-
	11/1/2014	36,050	1,050	35,000
		<u>\$ 268,069</u>	<u>\$ 48,069</u>	<u>\$ 220,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2002 General Obligation Bonds	11/1/2008	\$ 9,076	\$ 9,076	\$ -
	5/1/2009	44,076	9,076	35,000
	11/1/2009	8,368	8,368	-
	5/1/2010	48,367	8,367	40,000
	11/1/2010	7,538	7,538	-
	5/1/2011	47,537	7,537	40,000
	11/1/2011	6,688	6,688	-
	5/1/2012	51,687	6,687	45,000
	11/1/2012	5,709	5,709	-
	5/1/2013	50,709	5,709	45,000
	11/1/2013	4,708	4,708	-
	5/1/2014	49,707	4,707	45,000
	11/1/2014	3,684	3,684	-
	5/1/2015	53,684	3,684	50,000
	11/1/2015	2,521	2,521	-
	5/1/2016	52,521	2,521	50,000
	11/1/2016	1,334	1,334	-
	5/1/2017	56,334	1,334	55,000
		<u>\$ 504,248</u>	<u>\$ 99,248</u>	<u>\$ 405,000</u>
2003 General Obligation Bonds (Business-type)	11/1/2008	\$ 20,478	\$ 3,520	\$ 16,958
	5/1/2009	3,321	3,321	-
	11/1/2009	22,399	3,321	19,078
	5/1/2010	3,078	3,078	-
	11/1/2010	22,156	3,078	19,078
	5/1/2011	2,811	2,811	-
	11/1/2011	21,889	2,811	19,078
	5/1/2012	2,525	2,525	-
	11/1/2012	23,723	2,525	21,198
	5/1/2013	2,185	2,185	-
	11/1/2013	23,383	2,185	21,198
	5/1/2014	1,825	1,825	-
	11/1/2014	23,023	1,825	21,198
	5/1/2015	1,444	1,444	-
	11/1/2015	24,761	1,444	23,317
	5/1/2016	1,000	1,000	-
	11/1/2016	24,318	1,000	23,318
	5/1/2017	534	534	-
	11/1/2017	25,971	534	25,437
		<u>\$ 250,824</u>	<u>\$ 40,966</u>	<u>\$ 209,858</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2003 General Obligation Bonds (Governmental)	11/1/2008	\$ 27,825	\$ 4,783	\$ 23,042
	5/1/2009	4,513	4,513	-
	11/1/2009	30,435	4,513	25,922
	5/1/2010	4,182	4,182	-
	11/1/2010	30,104	4,182	25,922
	5/1/2011	3,819	3,819	-
	11/1/2011	29,741	3,819	25,922
	5/1/2012	3,430	3,430	-
	11/1/2012	32,232	3,430	28,802
	5/1/2013	2,970	2,970	-
	11/1/2013	31,722	2,970	28,802
	5/1/2014	2,480	2,480	-
	11/1/2014	31,282	2,480	28,802
	5/1/2015	1,961	1,961	-
	11/1/2015	33,644	1,962	31,682
	5/1/2016	1,359	1,359	-
	11/1/2016	33,041	1,359	31,682
	5/1/2017	726	726	-
	11/1/2017	35,290	726	34,564
		<u>\$ 340,756</u>	<u>\$ 55,664</u>	<u>\$ 285,142</u>
2005-A Water Improvement Bonds	11/1/2008	\$ 19,474	\$ 19,474	\$ -
	5/1/2009	54,474	19,474	35,000
	11/1/2009	18,756	18,756	-
	5/1/2010	53,756	18,756	35,000
	11/1/2010	18,039	18,039	-
	5/1/2011	58,039	18,039	40,000
	11/1/2011	17,219	17,219	-
	5/1/2012	57,219	17,219	40,000
	11/1/2012	16,399	16,399	-
	5/1/2013	61,399	16,399	45,000
	11/1/2013	15,476	15,476	-
	5/1/2014	60,476	15,476	45,000
	11/1/2014	14,531	14,531	-
	5/1/2015	59,531	14,531	45,000
	11/1/2015	13,586	13,586	-
	5/1/2016	63,586	13,586	50,000
	11/1/2016	12,536	12,536	-
	5/1/2017	62,536	12,536	50,000
	11/1/2017	11,461	11,461	-
	5/1/2018	66,461	11,461	55,000
	11/1/2018	10,251	10,251	-
	5/1/2019	65,251	10,251	55,000

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2005-A Water Improvement Bonds - continued	11/1/2019	\$ 9,028	\$ 9,028	\$ -
	5/1/2020	69,028	9,028	60,000
	11/1/2020	7,678	7,678	-
	5/1/2021	67,678	7,678	60,000
	11/1/2021	6,313	6,313	-
	5/1/2022	71,313	6,313	65,000
	11/1/2022	4,818	4,818	-
	5/1/2023	69,818	4,818	65,000
	11/1/2023	3,290	3,290	-
	5/1/2024	73,290	3,290	70,000
	11/1/2024	1,645	1,645	-
	5/1/2025	71,645	1,645	70,000
		<u>\$ 1,286,000</u>	<u>\$ 401,000</u>	<u>\$ 885,000</u>
2005 General Obligation Bonds	11/1/2008	\$ 20,794	\$ 5,794	\$ 15,000
	5/1/2009	5,494	5,494	-
	11/1/2009	20,494	5,494	15,000
	5/1/2010	5,194	5,194	-
	11/1/2010	25,194	5,194	20,000
	5/1/2011	4,794	4,794	-
	11/1/2011	24,794	4,794	20,000
	5/1/2012	4,394	4,394	-
	11/1/2012	24,394	4,394	20,000
	5/1/2013	3,994	3,994	-
	11/1/2013	23,994	3,994	20,000
	5/1/2014	3,594	3,594	-
	11/1/2014	23,594	3,594	20,000
	5/1/2015	3,194	3,194	-
	11/1/2015	28,194	3,194	25,000
	5/1/2016	2,694	2,694	-
	11/1/2016	27,694	2,694	25,000
	5/1/2017	2,194	2,194	-
	11/1/2017	27,194	2,194	25,000
	5/1/2018	1,681	1,681	-
	11/1/2018	26,681	1,681	25,000
	5/1/2019	1,162	1,162	-
	11/1/2019	26,162	1,162	25,000
	5/1/2020	637	637	-
	11/1/2020	30,637	637	30,000
		<u>\$ 368,846</u>	<u>\$ 83,846</u>	<u>\$ 285,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2005 Sewage Disposal Refunding Bonds	10/1/2008	\$ 30,627	\$ 30,627	\$ -
	4/1/2009	196,443	30,627	165,816
	10/1/2009	27,725	27,725	-
	4/1/2010	200,779	27,725	173,054
	10/1/2010	24,696	24,696	-
	4/1/2011	201,040	24,696	176,344
	10/1/2011	20,949	20,949	-
	4/1/2012	198,609	20,949	177,660
	10/1/2012	17,174	17,174	-
	4/1/2013	195,492	17,174	178,318
	10/1/2013	12,939	12,939	-
	4/1/2014	189,941	12,939	177,002
	10/1/2014	8,735	8,735	-
	4/1/2015	183,763	8,735	175,028
	10/1/2015	4,359	4,359	-
	4/1/2016	178,729	4,359	174,370
		<u>\$ 1,692,000</u>	<u>\$ 294,408</u>	<u>\$ 1,397,592</u>
2005-B Capital Improvement Bonds	11/1/2008	\$ 11,532	\$ 11,532	\$ -
	5/1/2009	31,532	11,532	20,000
	11/1/2009	11,132	11,132	-
	5/1/2010	31,132	11,132	20,000
	11/1/2010	10,732	10,732	-
	5/1/2011	35,732	10,732	25,000
	11/1/2011	10,232	10,232	-
	5/1/2012	35,232	10,232	25,000
	11/1/2012	9,716	9,716	-
	5/1/2013	34,716	9,716	25,000
	11/1/2013	9,201	9,201	-
	5/1/2014	34,200	9,200	25,000
	11/1/2014	8,685	8,685	-
	5/1/2015	38,685	8,685	30,000
	11/1/2015	8,066	8,066	-
	5/1/2016	38,066	8,066	30,000
	11/1/2016	7,448	7,448	-
	5/1/2017	37,447	7,447	30,000
	11/1/2017	6,829	6,829	-
	5/1/2018	41,828	6,828	35,000
	11/1/2018	6,103	6,103	-
	5/1/2019	41,102	6,102	35,000
	11/1/2019	5,368	5,368	-
	5/1/2020	40,367	5,367	35,000

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2005-B Capital Improvement Bonds - continued	11/1/2020	\$ 4,624	\$ 4,624	\$ -
	5/1/2021	44,624	4,624	40,000
	11/1/2021	3,764	3,764	-
	5/1/2022	43,764	3,764	40,000
	11/1/2022	2,894	2,894	-
	5/1/2023	42,894	2,894	40,000
	11/1/2023	2,014	2,014	-
	5/1/2024	47,014	2,014	45,000
	11/1/2024	1,013	1,013	-
	5/1/2025	46,012	1,012	45,000
		<u>\$ 783,700</u>	<u>\$ 238,700</u>	<u>\$ 545,000</u>
2007 General Obligation Bonds	11/1/2008	\$ 25,297	\$ 25,297	\$ -
	5/1/2009	85,297	25,297	60,000
	11/1/2009	24,172	24,172	-
	5/1/2010	94,172	24,172	70,000
	11/1/2010	22,859	22,859	-
	5/1/2011	97,859	22,859	75,000
	11/1/2011	21,453	21,453	-
	5/1/2012	96,453	21,453	75,000
	11/1/2012	20,000	20,000	-
	5/1/2013	100,000	20,000	80,000
	11/1/2013	18,400	18,400	-
	5/1/2014	103,400	18,400	85,000
	11/1/2014	16,700	16,700	-
	5/1/2015	106,700	16,700	90,000
	11/1/2015	14,900	14,900	-
	5/1/2016	109,900	14,900	95,000
	11/1/2016	13,000	13,000	-
	5/1/2017	108,000	13,000	95,000
	11/1/2017	11,100	11,100	-
	5/1/2018	111,100	11,100	100,000
	11/1/2018	9,100	9,100	-
	5/1/2019	114,100	9,100	105,000
	11/1/2019	7,000	7,000	-
	5/1/2020	117,000	7,000	110,000
	11/1/2020	4,800	4,800	-
	5/1/2021	119,800	4,800	115,000
	11/1/2021	2,500	2,500	-
	5/1/2022	127,500	2,500	125,000
		<u>\$ 1,702,562</u>	<u>\$ 422,562</u>	<u>\$ 1,280,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2007 Capital Improvement Bonds	11/1/2008	\$ 15,521	\$ 15,521	\$ -
	5/1/2009	40,521	15,521	25,000
	11/1/2009	15,046	15,046	-
	5/1/2010	40,046	15,046	25,000
	11/1/2010	14,565	14,565	-
	5/1/2011	39,565	14,565	25,000
	11/1/2011	14,077	14,077	-
	5/1/2012	39,078	14,078	25,000
	11/1/2012	13,584	13,584	-
	5/1/2013	43,584	13,584	30,000
	11/1/2013	12,984	12,984	-
	5/1/2014	42,984	12,984	30,000
	11/1/2014	12,384	12,384	-
	5/1/2015	42,384	12,384	30,000
	11/1/2015	11,784	11,784	-
	5/1/2016	46,784	11,784	35,000
	11/1/2016	11,084	11,084	-
	5/1/2017	46,084	11,084	35,000
	11/1/2017	10,366	10,366	-
	5/1/2018	45,366	10,366	35,000
	11/1/2018	9,631	9,631	-
	5/1/2019	49,631	9,631	40,000
	11/1/2019	8,781	8,781	-
	5/1/2020	48,781	8,781	40,000
	11/1/2020	7,931	7,931	-
	5/1/2021	47,931	7,931	40,000
	11/1/2021	7,081	7,081	-
	5/1/2022	52,081	7,081	45,000
	11/1/2022	6,125	6,125	-
	5/1/2023	51,125	6,125	45,000
	11/1/2023	5,000	5,000	-
	5/1/2024	50,000	5,000	45,000
	11/1/2024	3,875	3,875	-
	5/1/2025	53,875	3,875	50,000
	11/1/2025	2,625	2,625	-
	5/1/2026	52,625	2,625	50,000
	11/1/2026	1,375	1,375	-
	5/1/2027	56,375	1,375	55,000
		<u>\$ 1,072,639</u>	<u>\$ 367,639</u>	<u>\$ 705,000</u>
TOTAL GENERAL OBLIGATION BONDS				<u>\$ 7,029,894</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
SPECIAL ASSESSMENT BONDS				
1996A Special Assessment Bonds	11/1/2008	\$ 16,725	\$ 1,725	\$ 15,000
	5/1/2009	1,305	1,305	-
	11/1/2009	16,305	1,305	15,000
	5/1/2010	877	877	-
	11/1/2010	15,878	878	15,000
	5/1/2011	442	442	-
	11/1/2011	15,446	446	15,000
		<u>\$ 66,978</u>	<u>\$ 6,978</u>	<u>\$ 60,000</u>
2000A Special Assessment Bonds	11/1/2008	\$ 24,050	\$ 4,050	\$ 20,000
	5/1/2009	3,500	3,500	-
	11/1/2009	23,500	3,500	20,000
	5/1/2010	2,940	2,940	-
	11/1/2010	22,940	2,940	20,000
	5/1/2011	2,370	2,370	-
	11/1/2011	22,370	2,370	20,000
	5/1/2012	1,790	1,790	-
	11/1/2012	21,790	1,790	20,000
	5/1/2013	1,200	1,200	-
	11/1/2013	21,200	1,200	20,000
	5/1/2014	600	600	-
	11/1/2014	20,600	600	20,000
		<u>\$ 168,850</u>	<u>\$ 28,850</u>	<u>\$ 140,000</u>
2001 Special Assessment Bonds	11/1/2008	\$ 24,823	\$ 4,823	\$ 20,000
	5/1/2009	4,362	4,362	-
	11/1/2009	29,363	4,363	25,000
	5/1/2010	3,775	3,775	-
	11/1/2010	28,775	3,775	25,000
	5/1/2011	3,175	3,175	-
	11/1/2011	28,175	3,175	25,000
	5/1/2012	2,562	2,562	-
	11/1/2012	27,563	2,563	25,000
	5/1/2013	1,937	1,937	-
	11/1/2013	26,938	1,938	25,000
	5/1/2014	1,300	1,300	-
	11/1/2014	26,300	1,300	25,000
	5/1/2015	656	656	-
	11/1/2015	25,656	656	25,000
		<u>\$ 235,360</u>	<u>\$ 40,360</u>	<u>\$ 195,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
SPECIAL ASSESSMENT BONDS - CONTINUED				
2002 Special Assessment Bonds - Tickner Street	11/1/2008	\$ 29,950	\$ 4,950	\$ 25,000
	5/1/2009	4,450	4,450	-
	11/1/2009	29,450	4,450	25,000
	5/1/2010	3,938	3,938	-
	11/1/2010	28,937	3,937	25,000
	5/1/2011	3,413	3,413	-
	11/1/2011	28,412	3,412	25,000
	5/1/2012	2,875	2,875	-
	11/1/2012	27,875	2,875	25,000
	5/1/2013	2,325	2,325	-
	11/1/2013	27,325	2,325	25,000
	5/1/2014	1,763	1,763	-
	11/1/2014	26,762	1,762	25,000
	5/1/2015	1,188	1,188	-
	11/1/2015	26,187	1,187	25,000
	5/1/2016	600	600	-
	11/1/2016	25,600	600	25,000
		<u>\$ 271,050</u>	<u>\$ 46,050</u>	<u>\$ 225,000</u>
2003 Special Assessment Bonds	11/1/2008	\$ 29,600	\$ 4,600	\$ 25,000
	5/1/2009	4,300	4,300	-
	11/1/2009	29,300	4,300	25,000
	5/1/2010	3,975	3,975	-
	11/1/2010	28,975	3,975	25,000
	5/1/2011	3,625	3,625	-
	11/1/2011	28,625	3,625	25,000
	5/1/2012	3,250	3,250	-
	11/1/2012	28,250	3,250	25,000
	5/1/2013	2,850	2,850	-
	11/1/2013	32,850	2,850	30,000
	5/1/2014	2,340	2,340	-
	11/1/2014	32,340	2,340	30,000
	5/1/2015	1,800	1,800	-
	11/1/2015	31,800	1,800	30,000
	5/1/2016	1,230	1,230	-
	11/1/2016	31,230	1,230	30,000
	5/1/2017	630	630	-
	11/1/2017	30,630	630	30,000
		<u>\$ 327,600</u>	<u>\$ 52,600</u>	<u>\$ 275,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
SPECIAL ASSESSMENT BONDS - CONTINUED				
2005 Special Assessments Bonds	11/1/2008	\$ 14,581	\$ 4,581	\$ 10,000
	5/1/2009	4,381	4,381	-
	11/1/2009	14,381	4,381	10,000
	5/1/2010	4,181	4,181	-
	11/1/2010	19,181	4,181	15,000
	5/1/2011	3,881	3,881	-
	11/1/2011	18,881	3,881	15,000
	5/1/2012	3,581	3,581	-
	11/1/2012	18,581	3,581	15,000
	5/1/2013	3,281	3,281	-
	11/1/2013	18,281	3,281	15,000
	5/1/2014	2,981	2,981	-
	11/1/2014	17,981	2,981	15,000
	5/1/2015	2,681	2,681	-
	11/1/2015	22,681	2,681	20,000
	5/1/2016	2,281	2,281	-
	11/1/2016	22,281	2,281	20,000
	5/1/2017	1,881	1,881	-
	11/1/2017	21,881	1,881	20,000
	5/1/2018	1,471	1,471	-
	11/1/2018	21,471	1,471	20,000
	5/1/2019	1,056	1,056	-
	11/1/2019	26,056	1,056	25,000
	5/1/2020	531	531	-
	11/1/2020	25,531	531	25,000
		<u>\$ 293,955</u>	<u>\$ 68,955</u>	<u>\$ 225,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
SPECIAL ASSESSMENT BONDS - CONTINUED				
2007 Special Assessment Bonds	11/1/2008	\$ 25,006	\$ 25,006	\$ -
	5/1/2009	115,006	25,006	90,000
	11/1/2009	23,319	23,319	-
	5/1/2010	113,319	23,319	90,000
	11/1/2010	21,631	21,631	-
	5/1/2011	111,631	21,631	90,000
	11/1/2011	19,944	19,944	-
	5/1/2012	109,944	19,944	90,000
	11/1/2012	18,200	18,200	-
	5/1/2013	108,200	18,200	90,000
	11/1/2013	16,400	16,400	-
	5/1/2014	106,400	16,400	90,000
	11/1/2014	14,600	14,600	-
	5/1/2015	104,600	14,600	90,000
	11/1/2015	12,800	12,800	-
	5/1/2016	102,800	12,800	90,000
	11/1/2016	11,000	11,000	-
	5/1/2017	101,000	11,000	90,000
	11/1/2017	9,200	9,200	-
	5/1/2018	99,200	9,200	90,000
	11/1/2018	7,400	7,400	-
	5/1/2019	97,400	7,400	90,000
	11/1/2019	5,600	5,600	-
	5/1/2020	95,600	5,600	90,000
	11/1/2020	3,800	3,800	-
	5/1/2021	98,800	3,800	95,000
	11/1/2021	1,900	1,900	-
	5/1/2022	96,900	1,900	95,000
		<u>\$ 1,651,600</u>	<u>\$ 381,600</u>	<u>\$ 1,270,000</u>
TOTAL SPECIAL ASSESSMENT BONDS				<u>\$ 2,390,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2008

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
WATER AND SEWER SYSTEM REVENUE BONDS				
2000 Water Supply System Revenue Bonds	11/1/2008	\$ 7,493	\$ 7,493	\$ -
	5/1/2009	37,493	7,493	30,000
	11/1/2009	6,653	6,653	-
	5/1/2010	36,653	6,653	30,000
	11/1/2010	5,793	5,798	-
	5/1/2011	40,798	5,798	35,000
	11/1/2011	4,783	4,783	-
	5/1/2012	39,783	4,783	35,000
	11/1/2012	3,750	3,750	-
	5/1/2013	43,750	3,750	40,000
	11/1/2013	2,550	2,550	-
	5/1/2014	42,550	2,550	40,000
	11/1/2014	1,350	1,350	-
	5/1/2015	46,350	1,350	45,000
		<u>\$ 319,749</u>	<u>\$ 64,754</u>	<u>\$ 255,000</u>
2001 Water Supply System Revenue Bonds	11/1/2008	\$ 4,103	\$ 4,103	\$ -
	5/1/2009	24,102	4,102	20,000
	11/1/2009	3,643	3,643	-
	5/1/2010	38,642	3,642	35,000
	11/1/2010	2,820	2,820	-
	5/1/2011	37,820	2,820	35,000
	11/1/2011	1,980	1,980	-
	5/1/2012	41,980	1,980	40,000
	11/1/2012	1,000	1,000	-
	5/1/2013	41,000	1,000	40,000
		<u>\$ 197,090</u>	<u>\$ 27,090</u>	<u>\$ 170,000</u>
TOTAL WATER SUPPLY AND SEWER SYSTEM REVENUE BONDS				<u>\$ 425,000</u>

City of Linden

Miscellaneous Statistical Data (Unaudited)

Year Ended June 30, 2008

Taxable Valuation and Tax Rates (last ten years)

	Taxable Value	Tax Rates (Mills)
1998	\$ 49,355,380	12.0
1999	52,200,914	12.0
2000	57,406,045	12.0
2001	64,697,032	11.8145
2002	71,758,570	11.6526
2003	83,385,000	11.3962
2004	93,207,128	11.4713
2005	103,942,755	11.3289
2006	110,343,550	11.3289
2007	115,308,842	11.2614

2007 State Equalized Valuation: \$ 136,057,600

2007 Per Capita Valuation (3,603 residents)

Taxable Value	\$ 32,004
State Equalized Value	37,762
Estimated True Cash Value	75,524

2007 Tax Base Computation

By Class

Real Property and Qualified	\$ 111,542,942	96.73%
Personal Property	3,765,900	3.27%
	<u>\$ 115,308,842</u>	<u>100.00%</u>

By Use

Commercial	\$ 12,552,210	10.89%
Industrial	30,450	0.03%
Residential	98,961,782	85.82%
Personal	3,764,400	3.26%
	<u>\$ 115,308,842</u>	<u>100.00%</u>

Year Ended June 30, 2008

The top ten taxpayers in the City and their 2007 Taxable value are as follows:

<u>Taxpayer</u>	<u>Product/Service</u>	<u>Taxable Value</u>	
Wood Care X, Inc.	Retirement Village/Nursing Home	\$ 4,025,300	
Consumers Energy	Utility	1,940,200	
Shiawassee Shores Park	Mobile Home Park	1,581,210	
Spring Meadows Country Club	Country Club	1,319,434	
Yono Capital Investments, LLC	Retail	888,577	
Parkside Place Investments	Apartment Buildings	483,800	
Gateway Manor Apts	Apartment Buildings	403,665	
Osmun, Guy	Property Owner	352,126	
McDonalds Corp.	Restaurant	329,000	
Pieczynski, Glen	Property Owner	297,068	
		11,620,380	10.08%
	Other Taxpayers	103,688,462	89.92%
		\$ 115,308,842	100.00%

Tax Levies and Collections

A history of tax levies and collections for the City is as follows:

Year	Operating Tax Levy	Collections to March 1, each year	
2007	\$ 1,298,520	\$ 1,229,475	94.68%
2006	1,210,995	1,163,692	96.09%
2005	1,142,467	1,084,065	94.89%
2004	1,037,339	996,718	96.08%
2003	950,356	906,107	95.34%
2002	835,838	805,503	96.37%
2001	764,355	718,460	94.00%
2000	689,083	654,400	94.97%
1999	624,460	590,719	94.60%
1998	591,591	554,544	93.74%
1997	551,618	521,874	94.61%
1996	518,625	489,254	94.34%
1995	468,981	450,081	95.97%
1994	411,151	391,834	95.30%

City of Linden

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2008

Computation of Direct and Overlapping Debt at June 30, 2008

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Linden</u>	<u>Amount Applicable to City of Linden</u>
City of Linden	\$ 10,167,076	100%	\$ 10,167,076
Mott Community College	75,725,000	0.93%	704,243
Genesee County	97,086,736	0.97%	941,741
Linden School District	32,625,000	17.36%	5,663,700
Bishop Airport Authority	10,555,000	0.97%	102,384
	<u>\$ 226,158,812</u>		<u>\$ 17,579,144</u>

Note:

The obligations represent bonded debt where an unlimited tax full faith and credit pledge of the government unit is made as security for payment of the associated principal and interest on the bonds.

Debt Ratios at June 30, 2008

	<u>Direct Debt</u>	<u>Overlapping Debt</u>
Per Capita (3,603)	\$ 2,822	\$ 4,879
Ratio to 2007 Taxable Valuation	8.82%	15.24%
Ratio to 2007 State Equalized Valuation	7.47%	12.92%
Ratio to 2007 True Cash Value	3.74%	6.46%

Pension Fund

The City pays 7% of its employees wages to the ICMA Retirement Trust 401(k) Plan. The City's contributions for the past eight fiscal years are as follows:

<u>Year ended June 30,</u>	<u>Amount paid to Pension Fund</u>
2008	\$ 44,008
2007	39,407
2006	41,986
2005	34,029
2004	30,463
2003	33,229
2002	27,915
2001	23,274
1999	17,619
1998	16,238

City of Linden

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2008

Legal Debt Margin

Act 279, Public acts of Michigan, 1909, as amended, provide that the net indebtedness of the City shall not be in excess of 10% of the state equalized valuation of all real and personal property. According to Act 279, bonds not included for purposes of calculating the legal debt margin are:

- (1) Special Assessment Bonds
- (2) Transportation Fund Bonds
- (3) Revenue Bonds
- (4) Pollution Abatement Bonds for public health purposes
- (5) Water Resources Commission or court ordered bonds

2007 State Equalized Valuation:			<u>\$ 136,057,600</u>
Debt Limit - 10% of State Equalized Valuation			\$ 13,605,760
Amount of Direct Debt Outstanding	\$	10,167,076	
Less: Michigan Transportation Fund Bonds		(80,000)	
Special Assessment Bonds		(2,390,000)	
Revenue Bonds		(425,000)	
Installment Contracts		<u>(322,182)</u>	
			<u>6,949,894</u>
Legal debt margin remaining			<u>\$ 6,655,866</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Linden
Linden, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Linden as of and for the year ended June 30, 2008, which collectively comprise the City of Linden's basic financial statements, and have issued our report thereon dated October 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Linden's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as identified above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Linden's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and the City Council of the City of Linden and the pass-through grantors and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

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Certified Public Accountants

October 2, 2008